VALUE CREATION AS BUSINESS COMMITMENT TO RESPONSIBLE CONSUMPTION

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ABSTRACT

In this paper we propose a typology of firm-stakeholder relationships based on four different states of consumption, leading to a new model of business commitment to responsible consumption. In developing this typology, we apply a physiological theory of consumption to define business as a nexus of activities capable of producing four different types of value: *subsistence*, *growth*, *indifference*, and *excess*. The model represents a more coherent conceptualization of business management, drawing upon long-term multi-dimensional value management in firm-stakeholder relations. Thus, in our model, we establish normative connections between value creation and responsible consumption, and indicate more specific measures of value creation for stakeholders, by promoting subsistence and growth, and discouraging indifference and excess. We are thus taking value creation stakeholder theory one step further, by exploring how different levels of value or utility could inform integrative, convergent value creation processes within the firm as a network of stakeholders.

Keywords: responsible consumption; shareholder value theory; stakeholder theory; stakeholder management; value creation

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INTRODUCTION

Value creation stakeholder theory (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010) postulates that the purpose of business should be value creation. But what does it mean to create value in business? As stakeholder theory (Freeman, 1984) suggests there is more to business than pursuing shareholder interests, and as Argandoña (2012) argues there is more to value than economic value. We integrate these two propositions to posit that business which satisfies or stimulates different stages of consumption creates different kinds of value. Based on this premise, we develop a model of value creation as business commitment to responsible consumption.

Responsible consumption has been defined, in the context of economies as systems of production and consumption, as involving decisions by individual agents (traditionally referred to as 'consumers') not to consume when these actions have negative impacts on society or the environment: 'through the act of responsible consumption, people can become "eco-citizens" or "citizens of the world" ' (Marchand & Walker 2008, p. 1164). However, theorists of responsible consumption warn against a sacrificial perspective, in which caring about the effects of individual consumption on society and the environment is equated with a need to curtail one's well-being and personal fulfilment. In this context, firms may have an educational role:

> 'With regard to design strategies concerned with rediscovering the nature of needs, there seems to be an opportunity for product and service developers to promote the individual benefits of responsible consumption. Design approaches that revisit the notion of personal fulfilment, not

> simply through product acquisition but within a more holistic perspective, could support positive changes in making sustainable lifestyles more attractive' (Marchand & Walker 2008, p. 1167).

In examining the firm as the key agent at the heart of responsible consumption, we start from the premise that, as producers, firms should apply knowledge of the needs of consumers as human beings in order to distinguish between positive and negative value in the process of consumption. Such value is primarily determined in relation to the well-being of the consumers themselves, as human beings, and by extension to the well-being of the whole network of stakeholders related to the firm.

Value creation has been central to the debates between shareholder value theory and stakeholder theory regarding the objective function of the firm. Yet the concepts of *value* and *value creation* themselves are seldom explicitly defined. As a consequence, meanings attributed to these concepts tend to vary significantly. Exponents of shareholder value theory argue that value creation is assumed to refer to any process which leads to an increase in the economic value of the firm – and it is argued that focus on firm value creation is likely to create more social welfare than pursuing the priorities of non-shareholder stakeholders (see, e.g., Jensen, 2002). In stakeholder theory, however, the concept of value creation is expanded to involve all the stakeholders of the firm. First, there is stronger emphasis on the argument that value for the firm can only occur if there is value, of different kinds, created for stakeholders (Freeman et al., 2004). Second, based on the idea that, in the long term, 'stakeholder interests are inherently tied together' (Freeman, 2010, p. 8), more attention is given to the different kinds of value that may be relevant to this nexus of interests. In the context of redefining firm performance as '*the total value created by the firm through its activities, which is the sum of the utility created for each of a firm's legitimate stakeholders'* (p. 102), Harrison and Wicks

(2013) discuss four factors that determine the varieties of (economic and non-economic) value created by a firm for its stakeholders: physical goods and services, organizational justice, organizational affiliation, and opportunity costs. The value creation process is thus explained in terms of utility to the stakeholder and its multidimensional facets. We propose to further explore the characteristics of such ‘utility’ by adopting a physiological perspective to the satisfaction of needs through consumption. Furthermore, we argue that responsible consumption, as previously defined, can provide an alternative, improved guide to firms in selecting their value creation processes.

The value creation model proposed in our paper is based on a physiological theory of consumption. Starting from physiology understood as the branch of biology ‘seeking to learn how organisms function, how life goes on…’ (Gerard 2012, p. 2), we develop an analogy with human physiology aspects of need satisfaction (Deci & Ryan 2002) as a primary indicator of value as utility to human beings (Noonan 2010). The four categories of value we identify in this paper (namely subsistence, growth, indifference and excess) are suggestive of the various potential impacts of consumption on human beings from a physiological perspective.

We are therefore taking stakeholder theory one step further, by exploring how different levels of value or utility could inform integrative, convergent value creation processes within the firm as a network of stakeholders. In our model, we establish normative connections between value creation and responsible consumption, and indicate more specific measures of value creation for stakeholders. This contribution is twofold: it is descriptive, in that it uses the physiology of consumption as an empirical gauge for needs satisfaction; and it is also prescriptive, in that it provides normative suggestions for how a business can (and should) be run in a responsible manner, i.e. by focusing on the genuine needs of stakeholders as a primary condition of its strategy.

We begin by examining problems of linearity and uni-dimensionality in value distribution as conceptualized in shareholder value theory, and proceed to explain stakeholder relationships as inter-limiting and inter-supportive. We then present our typology of business-stakeholder relations and discuss it in the context of profit growth and power. We conclude with implications of the proposed responsible consumption perspective on value creation for management practice.

VALUE DISTRIBUTION AND BUSINESS-STAKEHOLDER RELATIONS: LINEAR OR NETWORKED?

A key aspect of value creation is value distribution. To better understand this aspect in the context of the firm's relationship with its various stakeholders, we propose to discuss, as a starting point, the fundamental assumptions about the value distribution process which underpin shareholder value theory.

We note that critiques of shareholder value theory tend to oversimplify it when emphasizing its tolerance for the firm owners' self-regarding attitudes and overlooking the other-regarding advantages that result from treating shareholders' interests as residual to meeting all contractual obligations towards other stakeholders. However, as a stakeholder theorist, Freeman (2008, p.166) acknowledges the multi-dimensional efficiency generated by the residual character of profit: 'so Milton Friedman, I would argue, could have written this paragraph: The primary responsibility of an executive is to create as much value as possible for stakeholders because that's how you create as much value as possible for shareholders'. Thus, making shareholder value the ultimate goal, as classically theorized (see Coase, 1937, and Williamson, 1984), has an instrumental role in ensuring fulfilment of all contractual obligations to other stakeholders (see also Ketokivi & Mahoney, 2015).

Notwithstanding the complex potential that a refined understanding of the shareholder value perspective has for addressing various stakeholder interests, the linear model of meeting contractual obligations and ultimately viewing shareholder value as residual and unlimited presents a number of practical problems. This is mainly because a linear view fails to deal effectively with less determinate, less time-bound responsibilities of a firm which arise from social relationships rather than written legal contracts (Donaldson, 1982; Donaldson & Dunfee, 1995). The uni-dimensional pursuit of the profit criterion, if adopted as such in practice, would lead to excessive consumption of resources in order to achieve its satisfaction. We represent this linear conception in Figure 1: the residual priority of profit is regarded as unlimited, and the responsibilities of the firm to stakeholders other than shareholders are assumed to be clearly defined, within time-bound contracts. One can argue that, if a firm were to extend its responsibility to indefinite contracts or obligations towards other stakeholders, the residual obligations towards shareholders may, in practice, never be discharged. As the legal duty of the firm is to distribute dividends to shareholders based on a regular cycle, stakeholder theorists (e.g., Freeman et al., 2004) may well fear that, due to the problematic nature of discharging indefinite responsibilities in practice, such responsibilities are likely to be disregarded.

INSERT FIGURE 1 ABOUT HERE

If applied in its linear interpretation, this approach would cause significant problems, not only for society and its various members (some of them distinct stakeholder categories in relation to a business) but similarly for the owners, shareholders, and managers of the firm itself. We hereby challenge this linear model – in particular, the unlimited character of residual profit, not only for shareholders, but also for other stakeholders. In contrasting the shareholder value theory approach with the stakeholder approach in interpreting the firm's responsibilities, we contrast the assumption of unidimensional responsibility to shareholders with, respectively, the assumption of multidimensional responsibility, i.e. to multiple stakeholders with different interests. Furthermore, we argue that the 'network-of-stakeholders' model promoted by stakeholder theory (Freeman, 1984; Freeman & Gilbert, 1987; Freeman et al., 2007) is only better able to explain multidimensional responsibilities to multiple stakeholders if we assume that: first, each stakeholder's interests (shareholders included) are dependent on and limited by the interests of the other stakeholders (in other words, the relationships between these interests are inter-dependent and inter-limiting); and second, that these relationships can possibly occur at all times, not just residually or within the timeframes established by contracts. An important assumption underpinning this network model (see Figure 2) is that shareholder value is neither residual nor unlimited, but is distributed concomitantly with other-stakeholder values, and is at the same time limited by other stakeholder interests.

INSERT FIGURE 2 ABOUT HERE

Despite strong arguments that the shareholder value maximization perspective is inherently enlightened and long term oriented (Jensen, 2002), stakeholder theorists are justified in fearing that an unlimited approach to the pursuit of shareholder value would be vulnerable to narrow and short term interpretations. When assuming that profit (or any particular value, for that matter) should be maximized without limits, this act of 'embracing the infinite' assumes the logic of uni-dimensionality. As Jensen (2002) explains, it is 'logically impossible to maximize in more than one dimension at the same time unless the dimensions are monotone transformations of one another' (Jensen, 2002, p. 238), in other words they are commensurate and interchangeable. Given that such strong assumptions cannot generally be made, in either theory or practice, about the diverse interests of stakeholders, we accept that any long term view of satisfying continuing and multiple stakeholder needs will have to assume inter-limiting (or trade-off) relationships between competing priorities (Husted & Salazar, 2006). Indeed, given that the resources (land, labour, capital, enterprise, and managerial capabilities) that a business organization can draw upon to satisfy competing values are necessarily limited, the unlimited pursuit of one value results in the other values being undermined, sidelined, potentially rejected or even neglected. This phenomenon is explained and illustrated by the resource-based view of the firm (Grant, 1991). The conceptual difficulty of having to accommodate infinite dimensions within a system of finite resources can cause corporate leaders to feel that every dollar diverted from the traditional profit-making transactions is a dollar taken away from the shareholders (Stout, 2008).

Thus, managers' focus is to avoid a missed profit-maximizing opportunity. It is primarily this conceptual difficulty that promotes the view that corporate leaders have an obligation or need to justify all their decisions, especially those whose relationship with profit-making is tenuous or uncertain, in terms of some long term advantage to the firm and its shareholder value maximization purpose. However, in practice, good business leadership is often confirmed to be about adopting an organic approach to concerns appearing on the organization's radar. It demands a degree of responsiveness to new social claims to competing interests, and a requirement to maintain a certain degree of flexibility in order to accommodate these new claims (Joyner & Payne, 2002; Miles, 1987; Preston & Post, 1975; Wood, 1991). The overarching reason for this is to ensure the long term survival of the organization in an economically, socially and environmentally sustainable way (Salzman, Ionescu-Somers, & Steger, 2005; Van Marrewijk, 2003). This has led recent studies to reformulate the purpose of business as optimization of collective value (Donaldson & Walsh, 2015). Hence we suggest that a logical condition of any multi-dimensional value management approach would be to conceive of shareholder value as non-residual and limited.

The network model of inter-limiting stakeholder claims is therefore better equipped to explain plural objectives in business management. But our understanding of plural objectives for business should not be limited to the idea of different stakeholders having similar economic objectives. Plural objectives may also refer to different kinds of value. For example, Sabadoz (2011) argues that corporate social responsibility (CSR) discourse reflects a tension between the profit-seeking motive on the one hand and the desire for more pro-sociality on the other. Accordingly, one stream of the CSR discourse provides a critical perspective which urges firms to act responsibly, 'while retaining the overall corporate frame of shareholder supremacy' (Sabadoz, 2011, p. 77). Sabadoz (2011) argues that this resolution is achieved by CSR ambivalently supporting 'both profit-seeking and prosociality', which is viewed as a 'necessary contradiction' (2011, p. 77), and not a reconciliation of disparate or polarized views. Thus his argument implicitly relies on a paradoxical view (a combination of irreconcilable ideas) of the firm's duties. We argue that our model of value creation as business commitment to responsible consumption, combined with the network model as described by stakeholder theory, provides a basis on which to argue that business integrates profit-seeking and pro-sociality and resolves the tension between them.

AN INTER-LIMITING, DYNAMIC-RELATIONAL INTERPRETATION OF THE STAKEHOLDER MODEL: ASSESSING BUSINESS PRIORITIES AT HUMAN SCALE

As Figure 2 illustrates, a business organization incorporates a number of different types of value (or utility) interchange transactions, by trading off certain attributes that meet the interests of the different categories of stakeholders in exchange for satisfying the interests of the business. Freeman (1984) argues that business interacts with society in a range of different ways, and the firm’s relationships with its various stakeholders will differ accordingly. As stated by Clarkson (1995, p. 106), *primary* stakeholders are those entities ‘without whose continuing participation the corporation cannot survive as a going concern’. These groups are most often identified as shareholders, creditors, employees, suppliers, customers and distributors (wholesalers and retailers). They can be classified as market-based stakeholders because of their direct relationship with the firm. By contrast, *secondary* stakeholders are groups which ‘can affect or be affected by the organization but there is no survival dependency involved’ (Freeman et al., 2010, p. 24). A common list of secondary stakeholders would include the community, various levels of government, nongovernmental organizations, the media, business support groups, and the general public. A more refined classification of stakeholders is provided by Mitchell, Agle and Wood (1997), who apply three criteria for salience (power, legitimacy, and urgency) to define the status of different stakeholders in relation to a business.

Importantly, in order to obtain the desired profit, a business has to produce and deliver certain other goods, not all of them economic in nature. For example, customers' primary interest may lie in quality products and service delivery – which, in noneconomic terms, translates into excellence and professionalism (Pautler, 2008). Employees' primary interests may reside in 'a good life' – which translates, beyond hygiene factors, into meaningful work and opportunities for personal development (Moriarty, 2009). The State may assume its primary interest to be delivering public goods and protecting the public interest, in which case businesses transacting with the State will be expected to create value in support of these objectives (Dixon, Dogan, & Kouzmin, 2004).

Stakeholder theory based studies (Phillips, Freeman & Wicks, 2003) have competently illustrated that, for the survival of a business, it is crucial that its managers acquire a subtle understanding of the specific ways in which the priorities of the business are necessarily limited and balanced by the competing priorities of its various stakeholders. But it is also important to note here that a genuine shift from linear to network thinking will not take place unless all claims and interests, including those of shareholders, are treated as inter-limiting. In a network-of-stakeholders approach, the firm appears to be still at the centre of this network (see Figure 2). If the firm's profit criterion continues to be at the centre of the business rationale and understood as overriding and unlimited, then our understanding of the firm's contractual obligations and social responsibilities has not really improved, as the tensions and contradictions apparent in the linear model of business are still present. A new framework is therefore needed, in order to address the inherent paradox of stakeholder theory and to represent other, more meaningful, ways in which responsibilities to different stakeholders (including shareholders) condition and limit each other.

The holistic approach we propose in our new framework builds on network thinking, as well as on the notion that business creates different types of value other than economic value. Based on a physiology of consumption characterized by four different stages, we identify four different states of value creation – and thus four different kinds of firm-stakeholder relationships based on value creation.

Our model is compatible with a multi-dimensional, humanistic perspective of the firm as a 'community of persons' (Mele, 2012, p. 97) for whom human well-being is paramount (Nathan, 2016). Moreover, we adopt the firm-as-a-community-of-persons metaphor as a founding premise of our model. Implicit in this premise is a dynamic approach to the value of interrelationships within the firm. Thus, making the assumption that the firm is a community (of persons), we argue that an inclusive, long term, co-evolutionary and dynamic-relational approach to network business-stakeholder relationships is basic and fundamental to what could be described, using a humanistic-developmental analogy, as business commitment to responsible consumption. In the Aristotelian tradition, 'sociability' is a central concept, where individuals, society and communities 'satisfy a great variety of human needs' (Mele, 2012, p. 94). This enriches our understanding of the network of stakeholders approach by further specifying how valuing relationships is to be established in a community of persons. We consider this assumption of the firm as community to be pivotal in business commitment to responsible consumption. This view of relationships provides a more refined connection between societal expectations and a firm's integrated management of all its obligations.

Within the inter-limiting network perspective we propose here, we emphasize the need for business to 'balance' the interests of different stakeholders (including the interests of shareholders) in an impartial way. Specifically, this impartiality does not imply treating all stakeholder claims equally. Rather, it is about prioritizing these claims in such manner that the firm's ability to satisfy all stakeholder interests is maximized. Increasingly, business managers today observe, as a matter of course, that good management is in fact about holding in balance both ends of all relationships, rather than about self-centred expressions of the firm's interests. On this basis, with a view to refining the application of the network-of-stakeholders model in business management practice, we propose a typology of firm-stakeholder relationships based on four different stages of consumption, and based on this we develop a new model of business commitment to responsible consumption.

REFINING STAKEHOLDER THEORY: A TYPOLOGY OF BUSINESS-STAKEHOLDER RELATIONS

Starting from the main stakeholder structures proposed by stakeholder theory (Freeman, 1984), we first examine the key social relationships established by business in its economic activity. A minimum set of competing priorities or interests that businesses committed to value creation (and in particular responsible consumption) need to handle is then proposed, in order to advocate a shift in perspective. This shift is built on the premise that management should be committed to practices that maintain a harmonious system of interrelationships among competing values, in order to create value that leads to responsible consumption. This perspective is then refined to develop a new, integrated model of business as a community of stakeholders able to position itself differently with respect to four types of value defined as subsistence, growth, tolerance (indifference) and excess – which further characterize firm-stakeholder relations. These four types of value are derived from a physiological perspective on consumption. While different theories of consumption have been developed over time, especially in economics (Emran & Stiglitz, 2005; Etzioni, 1988; Etzioni, 2003; Greenwald &

Stiglitz, 1988) and psychology (Oleson, 2004; Tatzel, 2006), we rely on physiological observations of consumption as satisfying four stages of fulfilment at human scale. In the process of ‘consuming’ a good, a human being generally experiences four distinctive stages of ‘satisfaction’: first, it meets the need to survive (subsistence); second, it attends to the need to develop (growth, or development); third, it experiences redundancy (as harmless consumption beyond saturation point); and fourth, it develops into excess (as toxic consumption beyond saturation point).

We argue that our model is not only a more realistic interpretation of business commitment to value creation in terms of its practical application, but also an inevitable step in the co-evolutionary process (of multiple stakeholders) of business management and sustainability. We thereby advocate strategic long term approaches for sustainable business practice within an inter-limiting value network approach which thus creates and sustains value for all stakeholders, based on responsible consumption.

We propose that we should conceive of any uni-dimensional good or attribute that forms the object of a firm-stakeholder transaction or relationship as an individual element in a network of inter-limiting relationships with other uni-dimensional goods or attributes. Each such relationship involves the consumption of resources on both sides. As suggested by our proposed analogy with the physiology of consumption at human scale, the goods or resources created by the firm are likely to be consumed by its stakeholders in one of four different *states of utility*: (a) subsistence, which refers to the amount necessary for the survival and normal functioning of the stakeholder; (b) growth (or development), which indicates the amount that brings about additional qualitative developments of the stakeholder along the nominated attributes; (c) tolerance (or indifference), which suggests a stage of consumption at saturation point, where further acquisition of resources does not add any value for the stakeholder; and (d) excess, which represents a beyond-consumption-limits level of consumption which can be destructive or harmful to the stakeholder. Based on this new model of resource consumption, we postulate that stakeholder subsistence relations are vital for the sustainability of the firm, growth relations are desirable, tolerance relations are wasteful and excess relations are harmful. In the long term, these conditions (necessity, desirability, waste and harm) are extended from affecting the firm to affecting society. Our model recognizes, from a stakeholder point of view, that the quality of the firm-stakeholder relationships within the network is of crucial importance for the health of the firm in the long term. Thus, from both an economic rationalist perspective (resources are finite, e.g., Jensen, 2002) and a stakeholder perspective (the firm belongs to a community and derives legitimacy from its community, e.g., Donaldson & Preston, 1995), we suggest that business commitment to responsible consumption encourages subsistence and growth relations while discouraging indifference and excess relations, in order to create sustainable value.

We expand on four types of firm-stakeholder relations below:

(1) *Subsistence* relations occur when the firm produces goods or delivers resources that are necessary or vital for the survival and normal functioning of the stakeholder. This type of relation is likely to be most stable over time, with firm-stakeholder interests most likely to converge or develop towards convergence. Considering the case of a business that produces and sells clothing: an example of subsistence relations is that of meeting the basic needs of customers for clothing, e.g., related to body protection, daily wear, routine use – the so-called essentials of a person's wardrobe.

(2) *Growth* relations take place when the firm delivers resources that are not vital for the stakeholder but are nevertheless valuable, contributing to the further development of a

variety of attributes of interest to the stakeholder. We can thus say that in this state business commitment tends to deliver at least growth value to its stakeholders. Using the same example of the clothing producing business, growth relations are established when the utility of the clothing purchased by the consumer is beyond subsistence level. The needs being met in this case are for diversity of choice, more sophistication in design, or the desire to project a particular personal image.

(3) *Tolerance (indifference*) relations are established when a good or resource delivered by the firm to the stakeholder does not add any value to their development. For example, extending a range of similar products without significant quality improvements that would increase utility for the customer would be wasteful. In the case of our clothing producer, for a consumer who is satisfied to already have one or two identical shirts, that differ only in colour (say, black or white), it may be next to meaningless to acquire a third shirt of the same kind but of a different (third) colour. It could be said that the firm would rely on the customer to make that judgement, and assuming the existence of the transaction itself indicates that positive (subsistence or growth) value has been delivered, such relations could not possibly occur in a free market where transactions are voluntary on both sides. But in our complex world of power differentials, profit itself is not an accurate indicator of positive stakeholder value being created. We can thus say that, in this state, business commitment requires the manager to go beyond short term sales signals and make their own judgements regarding the type of value the firm is actually delivering to its stakeholders. Business commitment thus involves reducing the use of resources for the production of tolerance value wherever possible, even when voluntary transactions are likely to occur (for various other reasons that may not involve utility judgements), in order to create sustainable value in the long term. The typical aggregate effect of the state of tolerance (indifference) being predominant in a market is the production of 'false' diversity

at the expense of satisfying a wider range of subsistence or growth needs. Fast fashion retailers like Zara, for example, thrive on producing superficial diversity lacking in significant innovation and thus capturing more value than they actually create.

(4) *Excess* relations are defined by an extreme state of nonvalue creation, more exactly disvalue or negative value creation, where a good or resource is consumed beyond 'healthy' limits, creating false dependencies or addictions. Our clothing company may be feeding excessive compulsive behaviours, such as those famously displayed by people like Imelda Marcos and Sarah Ferguson, which are only identifiable extremes of a more widespread phenomenon of *shopaholism* and toxic consumerism (Hamilton & Dennis, 2005). Again, by avoiding reliance on the occurrence of a voluntary transaction as a signal that positive stakeholder value has been created, business commitment discourages transactions that are likely to deliver harmful consequences for the stakeholder even when the latter agrees with the transaction. We can thus say that in this state business commitment has a direct, vested interest in the longer term well-being or development of the stakeholder, and against causing them harm.

From the discussion above one can conclude that the firm's long term well-being and development are inextricably linked to the well-being and development of its stakeholders. The typology of firm-stakeholder relational states proposed here illustrates how, if maintained in a linear perspective, ultimate pursuit of profit (albeit residual) is eventually self-defeating from both an economic (profit) and social (survival of the organization) perspective. The issue is not whether business should have the profit imperative as its rationale (this principle can be socially acceptable) but that, if it does, the logical argument that follows is that (from an overarching social perspective) any social agent can be thought to have an unlimited claim. For business commitment, which aims for the long term sustainability of the organization, this constraint should be internalized in the form of a principle of business strategy. Thus, the profit interest can be treated as balanced and limited by other interests. This does imply that some stakeholders are likely to be more relevant than others, depending on the circumstances. However, it also implies that, in order to sustain value creation, no particular stakeholder category should be treated as generally dominant.

INSERT FIGURE 3 ABOUT HERE

In the model of business commitment to responsible consumption (Figure 3), firm-stakeholder claims and interests are treated as interdependent, inter-supportive and inter-limiting states. Consistent with more contemporary and realistic notions of the firm, where exchange is fundamentally relational and networked (Cross & Parker, 2004; Tsai & Ghoshal, 1998), we argue that our model moves away from the concept of the firm as a network of stakeholders who *compete* for limited resources to satisfy unlimited needs. Rather, simultaneously, this model is more consistent with the notion of the firm as *collaborative,* and having to manage irreconcilable aims by recognizing that it is a 'community of persons' (Mele, 2012). This is based on the assumption that human scale needs and resource consumption are fundamentally limited by physical constraints. Thus, a consumption-states based model of business commitment to responsible consumption is compatible with the adoption of a 'humanistic business ethos' (Mele, 2012) which implies a long term view of community as society. Our model extends stakeholder theory by incorporating the notion of satisfying human needs and promoting responsible consumption. The network model we propose is based on the premise of promoting subsistence and growth firm-stakeholder relations, while discouraging tolerance and excess relations. It is not a stage model, but rather a state model – in the sense that it accepts that business may find itself satisfying different stages of consumption at different times and in different contexts. The stages of consumption refer to the evolution of the consumer in satisfying their needs, while the value creation states refer to the role of the business (producer) in meeting those needs. While stages of consumption describe a developmental trajectory in time, the states of value creation we discuss here are responsive states which may occur in business at any time, depending on the context created by the consumer/stakeholder. We argue that, when business commits to value creation in terms of responsible consumption, it makes a deliberate decision to focus its operating strategy on states of subsistence and growth value creation, while attempting, as far as it is under their control, to steer away from creating tolerance and (especially) excess states. This normative principle assumes that, in the long term, a firm is sustainable only if it co-evolves with its social environment (its stakeholders) for their mutual long term benefit. The model, as a reflection of a sense of what is community, is understood to be dynamic and organic in its practice, and thus open to change. Accordingly, managers who are better able to demonstrate relational-based, other-oriented (collaborative) rather than self-oriented (competitive) behaviour (‘voice’ versus ‘exit’) (Freeman & Browne, 2004) in their strategic and operational business activities are likely to recognize the different possible states of value creation and their relationship with business commitment to responsible consumption, and hence choose more appropriate pathways to firm and community sustainability.

PROFIT GROWTH AND ILLEGITIMATE POWER IN FIRM-STAKEHOLDER RELATIONS

One can transfer, by analogy, the typology discussed above in relation to value for stakeholders and the firm-stakeholder relations, to the notion of profit itself. From a societal perspective, the argument that a business must make a profit carries most weight at the level of subsistence relations, where, due to the economic nature of most human survival needs, the 'economism-based business ethos' and the 'community of persons' and 'humanistic business ethos' approach (Mele, 2012, p. 96) are likely to converge. Because of its ability to deliver subsistence value to a variety of stakeholders, business is entitled to secure profit – but this entitlement extends and is limited to a profit level that is of subsistence or growth value to the firm. Profit beyond that level can and should be used to create growth value for its existing stakeholders, or more subsistence value for an extended pool of stakeholders. Which of the two directions should have priority depends on the firm's strategic capabilities.

Similarly, while from an economic perspective the increase of profit can easily be conceived of in a linear manner and unlimited fashion, from a social perspective the type (quality) of value that profit delivers, from a consumption perspective, matters more than its quantity. If profit increases without delivering positive value (i.e., in a subsistence utility or growth utility state) to stakeholders, this can lead to adverse social results, e.g., false needs and unimproved products for consumers (Hamilton & Denniss, 2005; Jackson, 2005; Sheth, Sethia, & Srinivas, 2011), unimproved working conditions for employees (Cohen-Charash & Spector, 2001), or unnecessary goods for the community (Lautermann, 2013). If the direction inclines even further towards the firm (based on the primacy of profit), society is likely to experience increasing levels of distress caused by the unchecked externalities of business, e.g., undue risks and potentially reckless outcomes projected onto consumers (Desiraju & Tran, 2014), workplace accidents and loss of employee entitlements (Szekely & Knirsch, 2005), and unreasonable exploitation of natural resources and cultural heritage (Giddings, Hopwood, & O'Brien, 2002; Mazzanti, 2003), etc. This would fail to fulfil the principle of meeting genuine human needs – which is the basic assumption of our extension to stakeholder theory, underpinning our new model.

The model of business commitment discussed here has been described as a state in which all claims and interests are inter-limiting in order to create sustainable value that meets human needs. In this context, business can legitimately derive a number of basic assumptions that support this view:

1) Acquisition of subsistence value for the firm is necessary. Without this condition the business cannot continue to operate, to meet the interests of other stakeholders and thus elicit their support in return. Here we can include the need for business to break even, as well as a limited (not residual) amount of revenue for the owners (shareholders), sufficient to maintain their capacity to continue their investment in the firm.
2) Acquisition of growth value for the firm is desirable. This enables a business to use the corresponding level of profit to progress and flourish in all aspects of the organization, not only in financial performance. As suggested by the model, a firm's capacity to grow while delivering positive value for stakeholders (that is, in accord with the interests of all stakeholders and equitable sharing of power) is necessarily limited.
3) Beyond the levels of subsistence and growth value for the firm, profit has little meaning unless it is used instrumentally, as a resource to create more subsistence or growth value for an increasing number of stakeholders. As the ability of a firm to maintain harmonious relations with all stakeholders naturally decreases as its size (and therefore number of stakeholders) increases (Brammer & Millington, 2005), higher levels of creativity and innovation in entrepreneurship and business strategy are needed (Hart & Sharma, 2004) to reverse this trend. In this context, in keeping with the principle of meeting genuine human needs, we contend that it should be normal and legitimate for

business to make, at times, spontaneous gestures of professionalism, humanism, public concern, local or global citizenship, or environmental stewardship, without strategic concern for increasing profit or acquiring some other value (e.g., political and social reputation) in return. Furthermore, these gestures should not require a business case or enlightened self-interest explanations.

4) Profit is likely to deliver excess value (or, more exactly, disvalue or harm) when it is used to increase the firm's power within market transactions that become significantly inequitable (e.g., constantly moving factories in search for cheaper labour, using profits to invest in debt-swaps, or developing GMO seeds to force farmers to purchase them anew each year). Such transactions could be characterized as inequitable, although prima facie they may display all the defining characteristics of voluntary transactions. Business commitment that is focused on value creation requires that the firm abstains from using its financial resources in this way, to avoid harm to existing or new stakeholders (Ruggie, 2008). By extending stakeholder theory to encompass meeting human needs as a long term assumption of business transactions with stakeholders, we provide a basis for creative strategic-decision making within and across the firm's stakeholders to create not just economic value, but multi-dimensional value in keeping with the multi-dimensional nature of human needs.

CONCLUSION AND IMPLICATIONS FOR MANAGEMENT

In this paper, we have examined the profit imperative in relation to competing values in business management, and have emphasized the revolutionary shift made by stakeholder theory from a linear model to a network model of value interrelationships. We have shown why the interpretation of the profit imperative as overriding and unlimited is unsustainable for either the firm or society. To provide a platform for future research we have relied on different stages of need satisfaction (a physiology of consumption) to conceptualize four different types of value, defined as subsistence, growth, tolerance (indifference) and excess. We have then presented a new model of business commitment to responsible consumption and shown how, extended in this way, with the inclusion of meeting genuine human needs as a premise, stakeholder theory can assist in the examination of a variety of relational behaviours to achieve corresponding states of value creation, some more responsible than others. Using a normative perspective based on the principle of meeting genuine human needs, we address specific ethical issues arising from the different firm-stakeholder relationships defined by each type of value.

This approach provides a more coherent account of business commitment to responsible consumption as the practice of multi-dimensional value management for sustainability. Essentially, the effort of business to meet genuine human needs and restrain from creating false or toxic needs should be understood as a condition of adaptability. Without such efforts, business organizations will not be able to sustain healthy social and economic activity. In addition, drawing upon the resource-based view of the firm, business needs to give greater recognition to its obligation to contribute to the sustainability of the wider community which provides its resources. Business commitment to responsible consumption, and thus to a sustainable community which promotes the satisfaction of human needs, will ensure sustainable value creation at a societal level.

In this paper we have discussed 'states of utility' as general guidelines for considering the stakeholder problem. However, the responsible consumption model we are proposing could be applied to generate specific decision rules in the context of stakeholder conflicts and business strategy building. Such a study, documented by thorough analysis of a diverse range of specific examples, should form the object of further research into the relationship between value creation and responsible consumption within the firm understood as a network of stakeholders.

Many of the contemporary human and/or ethical dilemmas business leaders are confronted with in their work activities appear to stem from their constant exposure to the pressures of an unlimited one-dimensional rationale rather than to a more equitable multi-dimensional rationale. Thus, we argue that business leadership and management skills should be re-evaluated in terms of greater wisdom in developing and maintaining a dynamic-network type of rationale for the business as a whole. Unless more businesses become proactive in creating value for responsible consumption today, creating such value is likely to become a necessary condition for survival (for both business and society) tomorrow. One such possibility may emerge from the rapidly degrading condition of the natural environment: the irrational waste and destruction of natural resources, continued at the same pace, may lead to chronic scarcity and the objective need for business to internalize its externalities – probably in a much more precarious global predicament than the one we are facing at present.

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FIGURE 1

THE LINEAR, 'SET-OF-CONTRACTS' MODEL OF THE FIRM

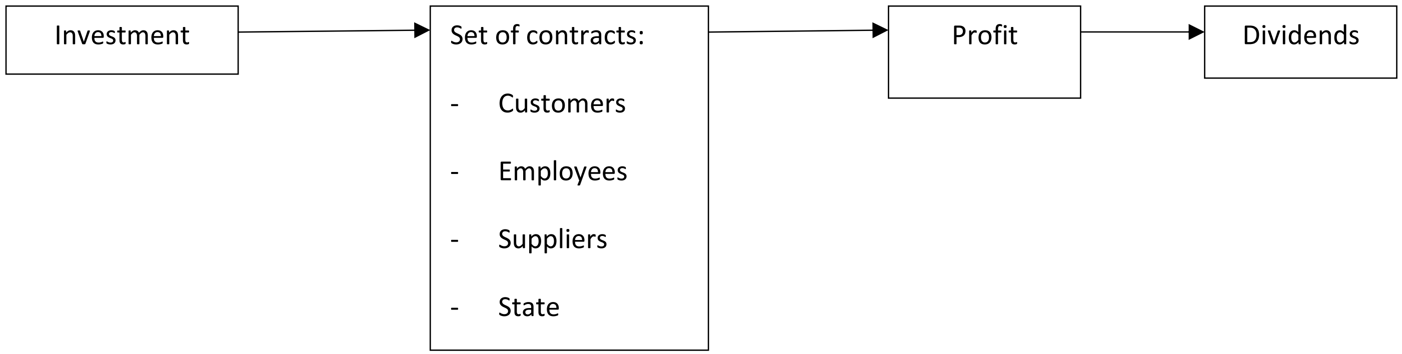

FIGURE 2

THE NETWORK MODEL OF BUSINESS-STAKEHOLDER RELATIONSHIPS

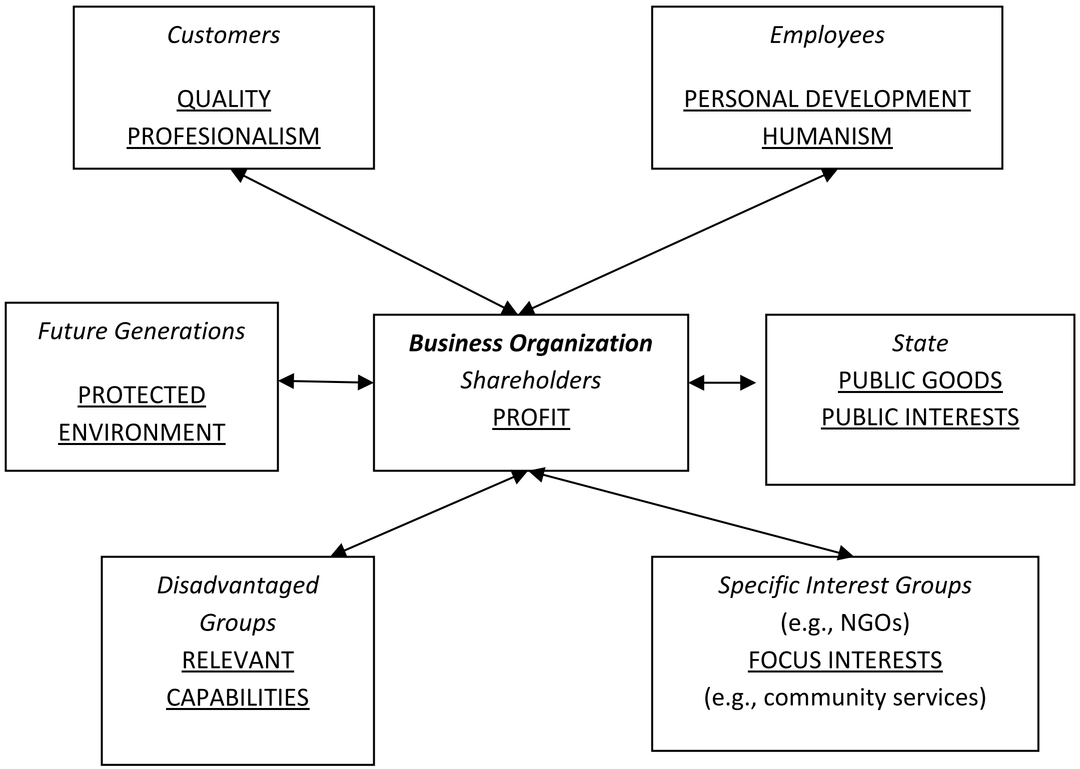

FIGURE 3

A MODEL OF BUSINESS COMMITMENT TO RESPONSIBLE CONSUMPTION